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BEFORE THE TENNESSEE REGULATORY AUTHORITY
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T.R.A. DOCKET ROOM

IN RE:)
)
PETITION OF UNITED CITIES GAS)
COMPANY FOR APPROVAL OF A) Docket No. 02-00391
FRANCHISE AGREEMENT WITH)
MURFREESBORO, TENNESSEE)
)
)
)

DIRECT TESTIMONY OF
SUSAN EMERY MCGANNON

- Q: Please state your name, place of employment, and title.
- A: My name is Susan Emery McGannon. I am employed by the City of Murfreesboro as the City Attorney for Murfreesboro, Tennessee.
- Q: How long have you been employed in that position?
- A: I have been the Murfreesboro city attorney since October, 2001.
- Q: What are your duties and responsibilities as city attorney?
- A: I serve as chief legal counsel for the City, including the school board, the electric department, and the water and sewer department. I represent the City in litigation and advise the City Council and its boards and commissions.
- Q: Does United Cities¹ operate a natural gas transmission and distribution system in the City of Murfreesboro?

¹ United Cities Gas Company is an unincorporated division of Atmos Energy Corporation doing business in Tennessee as United Cities Gas Company. As indicated by a recent tariff filing, Atmos Energy Corporation has elected to cease doing business as United Cities Gas Company, and to instead use the company's legal corporate name, Atmos Energy Corporation. In all proceedings before the Tennessee Regulatory Authority, the terms "United Cities Gas Company" and "Atmos Energy Corporation" have the same meaning and can be used interchangeably.

A: Yes, United Cities and its predecessors have operated for many years in Murfreesboro under various franchise agreements with the City. It is my understanding that each of these agreements has allowed United Cities to operate a gas transmission and distribution system within Murfreesboro and to use the public rights of way of the City for its distribution system and related plant and access thereto.

In 1980, the City and United Cities' predecessor entered into a franchise agreement for a term of 20 years, which expired in 2000. In 2000, the City and United Cities successfully negotiated the franchise agreement currently before the Authority for approval, which is for a term of 15 years.

Q: Were you involved in the negotiation of the 2000 franchise agreement?

A: No. My predecessor as city attorney, Tom Reed, handled those negotiations.

Q: As Mr. Reed's successor, are you able to testify as to negotiations which occurred in 2000 regarding the franchise agreement?

A: Yes, to the best of my knowledge.

Q: Upon what basis are you qualified to testify regarding the negotiation of the franchise agreement?

A: As Mr. Reed's successor, I came into possession and control of certain files. One file contained a memorandum from Mr. Reed to the Mayor relating to the negotiation of the 2000 franchise agreement between the City of Murfreesboro and United Cities. In addition, I have reviewed the City ordinance which codified the new rate structure created by the franchise agreement.

Q: Based on your review of the memorandum and ordinance, what is your understanding of the process by which the franchise agreement was negotiated?

A: The memorandum lists 11 different areas where the City wanted to vary the terms of the franchise agreement initially proposed by United Cities. Those points were the subject of discussion during the negotiation of the franchise agreement. For example, United Cities had proposed that the term of the agreement be 20 years. The City, however, wanted a 5-year term. Ultimately, the parties agreed to a 15-year term.

Q: Was the issue of possible condemnation ever part of the negotiation process?

A: No.

Q: Would you characterize the negotiations process as an arm's-length negotiation?

A: Yes.

Q: Did either party unilaterally impose the terms of the agreement on the other party?

Q: Once the franchise fees are collected, how are they allocated by the City?

A: The franchise fees are placed in the City's general fund.

Q: In your opinion, is this franchise agreement necessary and proper for the public convenience and does it properly conserve and protect the public interest of the citizens of Murfreesboro, Tennessee?

A: Yes.

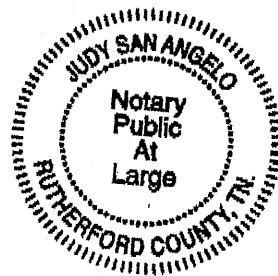
No further questions.

Sworn to and subscribed before me
this 23 day of May, 2003.

Judy San Angelo
Notary Public

My Commission Expires: 3/20/05

Susan Emery McGannon
Susan Emery McGannon, Esq.



Respectfully submitted,

BAKER, DONELSON, BEARMAN
& CALDWELL, P.C.

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been mailed, postage prepaid, to the following person(s), this 23d day of May, 2003.

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By: Shelia. Fox